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Recent Japanese Policy in China

THE significance of Japan's new China policy, which was outlined by Baron Tanaka last July, several months after he succeeded Premier Wakatsuki as head of the Japanese Government, was not generally appreciated in the United States until a short time ago when China voiced a strong protest against certain Japanese demands with respect to Manchuria. The anti-Japanese agitation which followed served to emphasize the apparent departure of the Tanaka government from the "Friendship Policy" pursued by its predecessors since the Washington Conference, at least so far as Manchuria and Mongolia are concerned. The new "Positive Policy" draws a sharp line between Manchuria and Mongolia and China proper; it reasserts Japan's special interests in the former area, and openly announces Japan's intention to defend these interests at all costs.

The importance of Tanaka's policy may be gauged by a comparison with previous policies and a survey of the nature and extent of Japan's interests in Manchuria.

In the period between 1895 and 1922,

that is, from about the time of the Sino-Japanese War until after the Washington Conference, Japanese policy seemed to be directed primarily toward securing a position of influence in China. This policy, which at times was conducted with little or no regard for the susceptibilities of the Chinese, was justified by Japanese on the ground of checking Russia's advances, which threatened the peace of the Far East. The Treaty of Shimonoseki, terminating the war with China in 1895, gave to Japan the island of Formosa, the Pescadores Islands, the Liaotung Peninsula, and the right to hold Weihaiwei until China had carried out the provisions of the treaty. Although immediately forced by the European powers to surrender the Liaotung Peninsula Japan regained control of Port Arthur and Dairen as a result of her successful war against Russia in 1905. In 1910 Japan annexed Korea. In 1915 she took advantage of European preoccupation with the World War to serve upon China the famous Twenty-One Demands which culminated in the treaties and agreements of May, 1915.

Thus, following the example of the western powers in building powerful armies and navies and in protecting and extending national interests, if need be by force, Japan secured a dominant position of influence on the Asiatic mainland. At the time of the Washington Conference Japan had succeeded to the Russian rights in Manchuria and the German rights in Shantung, and, because of her close proximity to China, was probably in a stronger position than either Germany or Russia had been. Japanese troops also occupied the port of Vladivostok, and the northern part of Sakhalin.

GENERAL PRINCIPLES ACCEPTED AT WASHINGTON CONFERENCE

Despite vigorous criticism from a number of influential Japanese newspapers, the Japanese Government accepted President Harding's invitation to the Washington Conference in 1921. At the Conference Japan subscribed to the naval treaty and the several agreements relating to China. Article 1 of the treaty relating to principles and policies to be followed in matters concerning China laid down certain specific obligations which the signatory powers, including Japan, agreed to observe. It read as follows:

ARTICLE I. The Contracting Powers, other than China, agree:

(1) To respect the sovereignty, the independence, and the territorial and administrative integrity of China;

(2) To provide the fullest and most unembarrassed opportunity to China to develop and maintain for herself an effective and stable government;

(3) To use their influence for the purpose of effectually establishing and maintaining the principle of equal opportunity for the commerce and industry of all nations throughout the territory of China;

(4) To refrain from taking advantage of conditions in China in order to seek special rights or privileges which would abridge the rights of subjects or citizens of friendly States, and from countenancing action inimical to the security of such States.

In carrying out these and other obligations, Japan introduced a new policy toward China, popularly known as the "Friendship Policy."

EARLY RESULTS OF "FRIENDSHIP POLICY"

The effects of the "Friendship Policy" toward China began to appear shortly after the Washington Conference. Within a year the Japanese Government withdrew its troops from Hankow and Shantung, although still retaining them in Manchuria, and also withdrew its post offices in all parts of China except Manchuria. In the Washington treaty of February 4, 1922, Japan agreed to terminate the lease of Tsingtao, which Germany had secured for ninety-nine years in 1898, and to hand over to China the Shantung railway constructed by Germany. Ratification of the treaty by the two governments was affected in June, 1922. China was given fifteen years to pay for this road, the value of which was fixed by a joint commission at 40,000,000 yen.* This settlement, according to Mr. John E. Baker, adviser to the Chinese Ministry of Communications, secures better terms for China than are to be found in any other railway contract negotiated under the Republic.

In April, 1923, the Japanese and American Governments in an exchange of notes terminated the Lansing-Ishii Agreement of November 2, 1917, in which the United States had recognized Japan's "special interests in China, particularly in the part to which her possessions are contiguous." By 1924, Japan had settled most of her difficulties with Russia and had agreed to withdraw her troops from northern Sakhalin, in return for certain concessions. Following the example of the United States, the Japanese Government in March, 1923 turned over Japan's share of the Boxer indemnity, and also the payments which China must make on the Shantung properties, to a special fund for Chinese educational and cultural work.

The effort of the Japanese to regain China's good will was further demonstrated during the famous "May 30 Affair" of 1925, when foreign police opened fire on Chinese demonstrators in Shanghai who were protesting the shooting of a Chinese laborer by Japanese cotton mill guards. The affair led quickly to a general strike and serious anti-foreign demonstrations throughout China.

*A yen is worth approximately 50 cents (American).

Japan promptly took steps to appease the Chinese and quietly paid an indemnity to the family of the Chinese laborer who had been killed. As a result of this policy of settling the affair "out of court," the Japanese escaped the worst effects of the outburst of Chinese opinion which was subsequently directed against other foreigners.

JAPAN AVOIDS INTERVENTION IN CHINA'S REVOLUTION

Despite the fact that out of the 346,000 foreigners in China approximately 235,000 are Japanese and that Japanese trade in 1926 predominated in China, the Japanese Government has until recently followed a policy of "non-intervention" toward the Chinese revolution. During the Nanking incident of 1927, in which Japanese as well as other foreign property was destroyed, the Tokyo Government consistently opposed the idea of intervention. In this it was apparently supported by a majority of the Japanese press. When a similar incident occurred at Nanking in 1913 it led to a riot in Tokyo and a strong demand for action. Commenting on this change, a well-known Japanese writer, Yusuke Tsurumi, states, "But when the trouble occurred in Nanking this year there was no ripple on the surface of Tokyo's political waters and no public protest over non-intervention. How account for this change? It was because in the first place the psychology of the people had changed. In the second place, there was a strong sympathy for the legitimate aspirations of the Chinese people embodied in the Nationalist movement. And in the third place the sending of troops into a foreign country was disliked by the people after the experience of the Siberian Expedition."

The official attitude of the Japanese Government toward the situation in China was defined by Baron Shidehara, the Japanese Foreign Minister, in an address to the Diet in January, 1927, in the course of which he said:

"Japan's policy covering all questions of relations between Japan and China may be summarized:

"First—Respect the sovereignty and territorial integrity of China and scrupulously avoid all interference in her domestic strife.

"Second—Promote the solidarity and economic *rapprochement* between the two nations.

"Third—Entertain sympathetically and helpfully the just aspirations of the Chinese people and cooperate in efforts of realization of such aspirations.

"Fourth—Maintain an attitude of patience and cooperation in the present situation in China and at the same time protect Japan's legitimate and essential rights and interests by all reasonable means at the disposal of the Government."

Baron Shidehara's policy apparently made no distinction between Manchuria and the rest of China; and while professing the policy of strict non-intervention in Chinese affairs, it reserved the right of protecting Japanese lives and property when immediately endangered. At the time this policy was announced, however, the civil war in China was confined largely to the South, where Japanese interests were less important than in the North.

BARON TANAKA CRITIC OF "FRIENDSHIP POLICY"

The "Friendship Policy" of the Wakatsuki cabinet was severely criticized in April, 1927 by Baron Tanaka, then the leader of the opposition party, the Seiyukai. Baron Tanaka, a member of the Choshu Clan, was formerly a general in the Japanese Army, a Vice-Chief of the General Staff and Minister of War in three recent Cabinets. He became head of the Seiyukai party in 1925. In the course of his address he said:

"Disturbances in China have gone from bad to worse and the conditions there threaten to penetrate into the zone where Japan has vested interests. . . The national flag of Japan has been trampled upon, and Japanese residents have met the utmost humiliation. I do not understand the indifferent attitude the authorities take toward this.

"In the face of this fact the authorities continue to advocate policies of non-intervention. . . The disturbances in China have gone beyond the limit of mere domestic disputes, they endanger the Far East, and threaten to affect the peace of the world. . . Japan should take the initiative, if necessary, in taking an effective step in cooperation with the Powers. We believe this will be inevitable."*

*Japan Advertiser, April 17, 1927.

NEW TANAKA GOVERNMENT OUTLINES POLICY TOWARD CHINA

A few days later the Wakatsuki cabinet went out of office and Baron Tanaka was asked to form a new Government. In announcing the formation of a cabinet, in which he served in the double capacity of Premier and Foreign Minister, he declared;

"We have long entertained profound sympathy with the legitimate aspirations of the Chinese people and are determined to help them to attain their end, taking into consideration the situation at home and abroad. But I consider that such aspirations could be attained in due order and by appropriate means. . . Moreover, I think that if the legitimate aspirations of the Chinese people are fulfilled, they will have no wish to endanger the present relations between China and the Powers. . . . In the matter of Communist activity in China, Japan can hardly remain indifferent. . . This activity is a matter of extreme importance from the viewpoint of the peace of the world and the happiness of mankind in general, and Japan is ready to cooperate with the Powers, after taking into consideration the character of the particular problems involved, the appropriate time, and the proposed measures to be taken. . . ."

This announcement called forth the warnings of the *Tokyo Asahi*, the *Osaka Asahi*, the *Jiji Shimpō*, the *Tokyo Nichinichi*, and the *Osaka Mainichi*, all of whom warned the government against a positive policy toward China. The *Tokyo Asahi* declared:

"No one can foretell the future of China; nevertheless it is advisable to let the Chinese themselves settle their own internal affairs. . . As every word and action of Premier Tanaka is being closely watched by the Chinese, we hope the present administration will be extremely cautious in executing its policy toward China."

The *Jiji Shimpō* said:

"We sincerely hope that the new administration will not adopt any radical change in its policy toward China, neither resort to any rigid policy, as that is not the real purpose of the administration, we are sure."

Before the end of the month the new Tanaka government was confronted with an issue which called for prompt decision. During the spring the Chinese Nationalist army, under General Chiang Kai-shek, had been moving northward from Nanking, and in May it entered Shantung, where Japanese interests are far more extensive than in the South. Tokyo acted without delay and dispatched a force of about 2,000 men to Tsingtao, later sending 2,000 more inland to

Tsinan and points in between. Simultaneously the Tanaka government denied any intention to interfere with the military operations of the northern or southern troops and declared the measure was taken only for the protection of Japanese nationals in the area of hostilities. The statement concluded: "The Japanese Government, therefore, declare that although they dispatched troops as an unavoidable measure of self-defence, they have no intention whatever of keeping them for a prolonged period and the troops will be wholly withdrawn immediately the fear of danger to her residents in that region ceases to exist."

Both the Peking Government and the Nationalists vigorously protested to Japan and demanded the immediate evacuation of the troops. The official news agency of the Nanking Moderate Nationalists, moreover, stated that the Japanese troops interfered with the advance of the southern forces through occupation of the entire railway zone from Tsingtao to Tsinan. The occupation quickly led to a southern boycott on Japanese goods.

JAPANESE PRESS CRITICAL OF 1927 SHANTUNG EXPEDITION

Criticism was also voiced in Japan and a number of newspapers attacked the policy of the Tanaka government. The *Tokyo Nichinichi*, for example, declared that there was no "need to protect our residents in Tsinan. On the other hand, there is no doubt that we have lost much by the misunderstanding we have aroused." The *Jiji* stated that "if the unsettled conditions of Tsinan continue the Government should withdraw both residents and troops."

Whether or not as a result of the Japanese occupation, the Nationalist advance through Shantung soon collapsed. On August 30, 1927, the Japanese Government ordered the withdrawal of the inland forces on the ground that the failure of the Nationalist campaign had removed the risk of disorder in Shantung. But in a statement issued at the time of withdrawal, the Japanese Government issued a warning that "in case peace and order are disturbed in future, not only in Shantung, but in any part of China where

**Japan Advertiser*, April 22, 1927.

Japanese reside, and it is feared that their safety may be affected, the Japanese Government may be constrained to take such self-defensive steps as circumstances require."

TANAKA PROPOSES SEPARATE POLICY FOR MANCHURIA

Meanwhile Baron Tanaka called an Oriental Conference, which met in Tokyo in June, 1927, and was attended by the leading officials in the War and Navy Ministries, the Commander-in-Chief of the Kwantung Army, the Governor of Kwantung, the Minister to Peking, and the Consuls-general at Mukden and Shanghai. It was at the final session of this conference that Baron Tanaka announced that Japanese policy must differ in respect to China proper and to Manchuria and Mongolia. While the references to China proper did not differ materially from previous statements, Baron Tanaka emphasized the fact that Japan held a special position in Manchuria and Mongolia, "in connection with her national defense, as well as for the existence of the nation." It is henceforth to be Japan's own responsibility "to keep the region fit for safe living of Chinese and foreigners by maintaining peace and order and developing economic conditions therein." As to the protection of Japan's special position in this area, the Government

"would carry out measures suitable to the occasion." Should disturbances arise endangering Japan's special interests, "Japan will take steps to protect them, no matter from what direction the menace comes."*

At the Gubernatorial Conference, on June 27, Tanaka declared that Japan was "resolved to carry out, either independently or in concert with other powers, a policy which it deems necessary for the maintenance of peace in the Far East." Some Japanese papers interpreted these various statements to mean that the new government had jettisoned Baron Shidehara's "friendship" policy in favor of the "positive" policy, the exact nature of which was not known, but which would take a more stern attitude toward China.

The new government of Japan, it would appear, will not intervene in China's domestic quarrels outside of Manchuria and Mongolia unless these quarrels threaten to injure Japanese interests. But as the intervention in Shantung shows, the Tanaka government will be much more ready to intervene to protect these interests than was the Shidehara government.

The Tanaka government, however, will apparently not tolerate any disturbance arising out of civil war in Manchuria because of Japan's "special interests" in this part of China. The nature of these interests will now be discussed.

JAPANESE RIGHTS AND INTERESTS IN MANCHURIA

Manchuria, comprising the Three Eastern Provinces of China, has an area of 365,000 square miles, which is nearly as large as the states of Washington, Oregon, California and Utah combined. While an accurate census has never been taken, it is estimated that Manchuria has a population of about 25,000,000 Chinese and Manchus, together with about 600,000 Koreans, 100,000 Russians, and 190,000 Japanese.

Although Manchuria is a part of China, Japan and Russia have bitterly contended over this territory and are vitally concerned in its future. A correspondent has recently stated, "Manchuria is the danger spot of Eastern Asia and is also one of Eastern Asia's greatest promises. It is a land which

three nations want and which three nations are struggling either to possess or to control. To China, Manchuria means a buffer state against either Russia or Japan, a source of income, a relief for over-population, and a tremendous amount of what is so dear to the Chinese—"face." To Japan, Manchuria means the promise of raw materials for Japanese mills and factories and a market for Japan-made goods, a source of income in other ways and the front line of defense against military aggression from the Asiatic continent. To Russia, Manchuria is the link connecting Moscow with Vladivostok, the possible route to an ice-free port in the East, a source of income and, at present, a chan-

*See Annex I for text of Tanaka Statement.

nel for the propagation of Communist doctrine in China and Japan.”*

RUSSIA AND JAPAN COMPETE FOR CONTROL OF MANCHURIA

This struggle for control of Manchuria began in the final years of the nineteenth century. Resentment was aroused in Japan when Russia, supported by France and Germany, forced the Japanese Government to surrender the Liaotung Peninsula won from China in 1895. It was heightened in 1897 and 1898 when the European powers freely appropriated for themselves strategic points in China. Particular apprehension was created by Russia's apparent designs in Manchuria. In 1898 Russia forced China to grant her a twenty-five year lease on the harbors of Port Arthur and Dairen, in which, according to the treaty of March 29, Russia was given “the supreme civil administration.”

Two years earlier the Russian Government had become actively interested in the construction of the Chinese Eastern Railway, which offered the advantage of a direct route across Manchuria from Chita, a point on the main line of the Trans-Siberian Railway, to Vladivostok at the eastern end of the system. In 1896, the Chinese Government granted the Russo-Chinese Bank, which had been chartered by the Russian Government the year before, a concession to build the road across Chinese territory. A Russian company was formed actually to build and operate the road. Under the terms of the contract between the bank and the Chinese Government the company was given the right to acquire not only land necessary for the construction of the line, but also lands in the vicinity of the line for providing sandstone, lime and other materials. Further provisions gave the company “the absolute and exclusive right of administration of these lands” and the right to erect buildings of all sorts. Although China agreed to be responsible for the protection of the railway and its employees, the company assumed the right to employ its own police for the maintenance of order within the railway

zone. The contract further provided that after eighty years from its completion the railway should revert to China without payment; after thirty-six years China would have the option of buying the railroad upon payment in full of capital, debts and interest. As the line was completed in 1903, this option would fall due in 1939.*

Fearing that Russia was about to seize political control not only of Manchuria but also of the independent state of Korea, thus threatening Japanese security, Japan embarked on the war of 1904-5 with Russia which resulted in a Japanese victory. In the Portsmouth Treaty, signed September 5, 1905, the Russian Government, with the consent of China, transferred to Japan (1) the lease of Port Arthur and Dairen, and (2) that part of the Chinese Eastern Railway extending between Chang-chun and Port Arthur, which is now called the South Manchuria Railway.

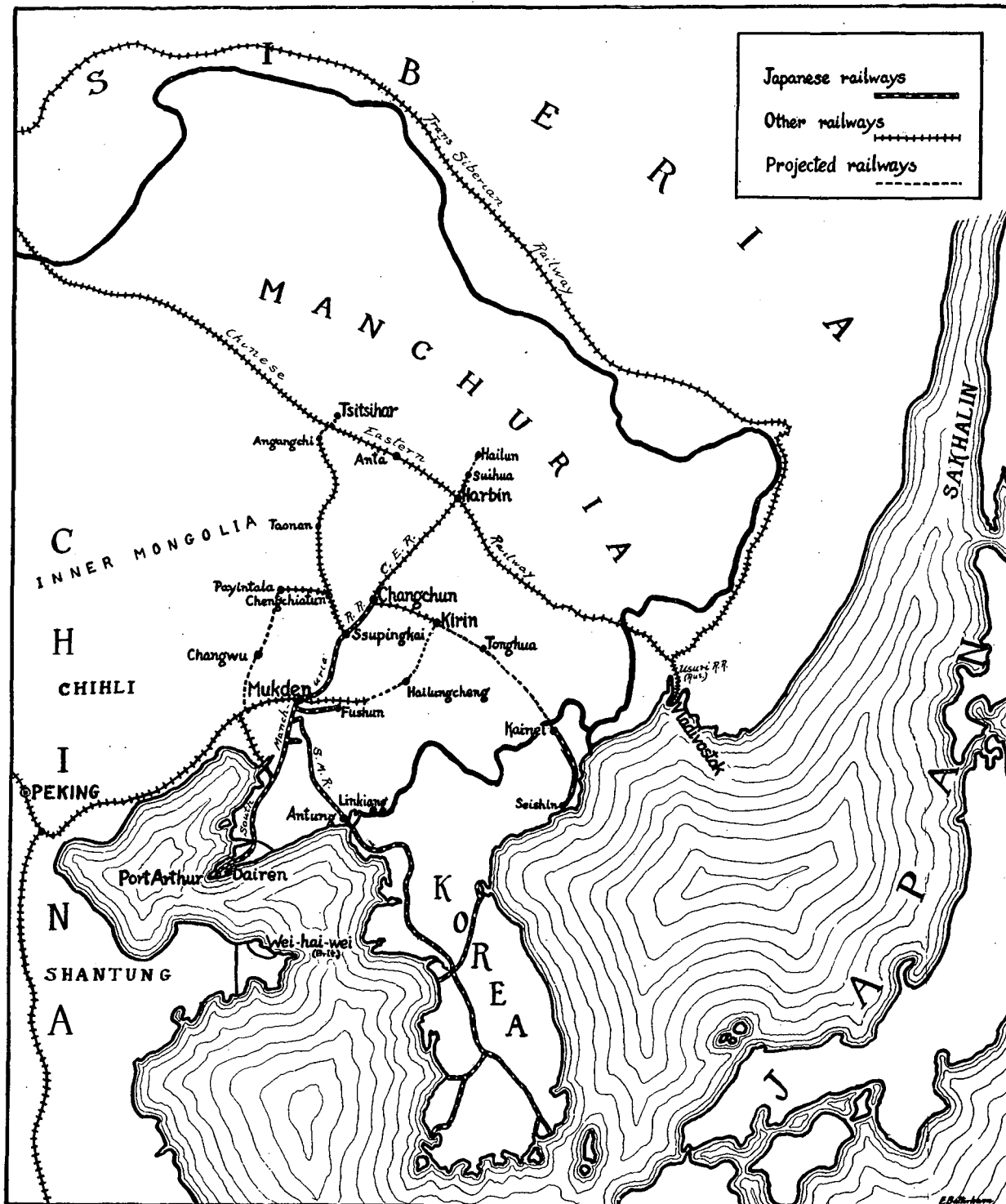
The treaty also recognized Japan's paramount interests in Korea, which Japan finally annexed in 1910, and ceded to Japan the southern part of the Russian island of Sakhalin, off the eastern coast of Siberia.

An additional article of the treaty provided that Russia and Japan had the right to maintain guards to protect their respective railway lines in Manchuria. The number of such guards was not to exceed fifteen per kilometer and was to be fixed by agreement between Russia and Japan.

On December 22, 1905, China and Japan concluded a treaty in which China agreed to the transfer of the above Russian interests to Japan. In an additional agreement, Japan agreed to withdraw her guards along the railway simultaneously with the withdrawal of Russian guards. While Chang Tso-lin obliged the Russian guards to withdraw several years ago, the Japanese guards remain to the present time. In an alleged secret protocol to the 1905 treaty, China is stated to have promised not to construct any main line in the neighborhood and parallel to the South Manchuria Railway or any branch line which might be prejudicial to the railway.

*F. H. Hedges, “Manchuria an Empire,” *Trans-Pacific*, January 15, 1927.

*See “The Chinese Eastern Railway,” *Information Service*, Vol. II, No. 1, and Mac Murray, “Treaties and Agreements with and Concerning China,” p. 1222.



Prepared by the Foreign Policy Association.

RAILWAY MAP OF MANCHURIA

Japan's position in South Manchuria today is based on the lease of Port Arthur and Dairen, called the Kwantung Leased Area, and control of the South Manchuria Railway.

In the agreements of May, 1915, following the Twenty-One Demands, Japan secured an

extension of the lease of the Kwantung area to 1997 and of her rights in the South Manchuria Railway to 2002, or a period of 99 years. This agreement also abrogated China's right to recapture the South Manchuria Railway in 1939, and granted Japanese

the right to trade and lease land for commercial and agricultural purposes in South Manchuria—a right which foreigners generally do not enjoy elsewhere in China. It was also agreed that Japanese could prospect and open mines in certain parts of South Manchuria, and that if foreign advisers on political, financial, military, or police matters were to be employed in South Manchuria, Japanese should be employed first. If China required foreign capital to build railways in South Manchuria and Eastern Inner Mongolia, she should negotiate with Japanese capitalists first.

At the Washington Conference the Chinese delegation asked that the treaties of May 25, 1915, be reconsidered and cancelled. The Japanese delegation replied that “if it should once be recognized that rights solemnly granted by treaty may be revoked at any time on the ground that they were conceded against the spontaneous will of the grantor, an exceedingly dangerous precedent will be established, with far-reaching consequences upon the stability of the existing international relations in Asia, in Europe and elsewhere.” Nevertheless the Japanese delegation agreed to throw open to the joint activity of the international financial consortium the right of option granted exclusively in favor of Japanese capital with regard to loans for the construction of railways in South Manchuria and Eastern Inner Mongolia. It further stated that Japan had no intention of insisting on her preferential rights in regard to Japanese advisers in Manchuria. The Japanese Government also withdrew the right to negotiate in the future in regard to Group V of the Twenty-One Demands.

Thus while the Japanese surrendered their rights in Shantung, they now declined to surrender their rights in the leased area or over the railway in Manchuria. On March 10, 1923, the Chinese Government sent a note to Japan stating that the treaties of 1915 were null and void, and that the expiration of the lease of Port Arthur and Dairen, granted Russia in 1898 for 25 years, was near at hand. The Japanese Government declined to discuss the question and reasserted that the treaties remained in force. The Chinese Government, despite the leasing provisions in the 1915 treaty, has so far re-

fused to grant such leases to Japanese in the interior of Manchuria on the ground that the treaty is invalid.

By virtue of the rights which it inherited from Russia, Japan exercises jurisdiction over (1) 1,300 square miles in the leased territory of the Kwantung peninsula, (2) 100 square miles in the South Manchuria Railway Zone. The Leased Territory is under the jurisdiction of a Japanese civil governor, who also exercises a certain authority over the Railway Zone. Within the Railway Zone the company has charge of a number of schools, laboratories, hospitals and agricultural experimental stations.

THE JAPANESE SOUTH MANCHURIA RAILWAY

The most powerful enterprise in Manchuria is the South Manchuria Railway, one-half of the stock of which is held by the Japanese Government which guarantees to this road an annual profit of 6 per cent on the paid-up capital for a period of fifteen years. Between 1907 and 1926 the annual tonnage transported increased from 1,486,434 tons to 16,253,250 tons, while receipts jumped from 9,768,887 yen to 106,491,136 yen. In 1924-1925 the railway showed a profit of more than 34,000,000 yen, and it has paid a dividend of 10 per cent for the last four years. It has assisted the Chinese Government, either through loans or by actual construction, in the building of three lines in Manchuria which act as feeders to the main South Manchuria line. The rails used in Manchuria construction are purchased from the United States Steel Corporation. It is an interesting fact that over a third of China's railway mileage is found in Manchuria. The South Manchuria Company owns and operates 686 miles of railway in South Manchuria and it operates the 1,153 miles of State railways in Korea. It carries on a large number of other activities, such as the operation of harbors, coal mines, steel, electric and gas works, and a chain of hotels. In 1925-1926 it expended 4,419,000 yen on hospitals and 2,445,580 yen on schools for the inhabitants of the Railway Zone.

The South Manchuria Railway employs nearly 10,000 officials and 29,000 employees, or a total of nearly 39,000 of whom more

than 16,000 are Chinese. In addition, it employs 13,000 day laborers.

ECONOMIC IMPORTANCE OF MANCHURIA

Largely as a result of the transportation facilities afforded by the South Manchuria Railway, South Manchuria exported 299,506,287 taels of products in 1926 and imported 248,134,219 taels, or a total trade of 547,640,506 taels.* Next to Shanghai, Dairen is the most important port in China.

The total trade of China in 1926 was nearly 1,988,000,000 taels. In other words, South Manchuria, a territory having only 4.5 per cent of the total population of China, has over 27 per cent of the trade. In 1926 about 71 per cent of South Manchuria's trade was with Japan.†

The trade of South Manchuria increased from 395,263,204 taels in 1923 to 434,790,403 taels in 1924; in 1924 it decreased to 395,767,619 taels; but increased in 1925 and again in 1926. In the latter year, it stood at 547,640,506. The principal export of Manchuria is the soy bean which is used in a soup eaten by the majority of the Japanese three times a day. A bean cake, made from the soy bean, is used as a fertilizer for the rice fields of Japan. This product, coming chiefly from Manchuria, is regarded along with rice as a fundamental food in the diet of the Japanese people.

Within the Kwantung Leased Area and the South Manchuria Railway Zone the Japanese have maintained an orderly and efficient administration. Partly as the result of their efforts, the population of Dairen has increased from 18,000 in 1906 to 201,774 in 1926 of whom 123,146 are Chinese. It is estimated that while the Chinese population in Manchuria has about doubled during the past twenty years, it has increased more than fourteen fold within the Railway Zone. Apparently the Chinese have taken up their residence in this Japanese zone because of the fact that, compared with other parts of China, more security prevails and greater opportunities for employment exist.

**Trade Return of North China, 1926, Vol. I. Manchuria, Research Office, Department of Welfare, Research and Foreign Offices, S. M. R. Co., June, 1927. p. 3. The export figure includes re-exports. A tael is worth about 75 cents (American).*

†The coast trade is not included in the total trade, but the trade of Korea is included with that of Japan.

Industrial development in Manchuria has partly depended upon labor from other parts of China. It is estimated that about 30 per cent of the labor employed in Manchuria is "alien." Much of this has been seasonal in nature, between 300,000 and 400,000 laborers coming to Manchuria from the overpopulated provinces of Shantung and Chihli at the harvest season. A growing number of these, however, are taking up their permanent residence in Manchuria partly because of disordered conditions at home. Moreover, the number of immigrants has rapidly increased—it has been predicted that a million Chinese would enter Manchuria in 1927.*

SOVIET INFLUENCE IN THE FAR EAST

In the first few years following the establishment of the Soviet Government in Moscow, it seemed that Russia's power in the Orient, including Manchuria, was on the wane. Allied troops were landed in Siberia; a Far Eastern Republic was erected on Siberian soil, and inter-allied control was established for a time over the Chinese Eastern Railway. In 1919-20 the Soviet Government informed China that it would surrender all of the special rights which Russia had enjoyed, in company with other powers, under the "unequal treaty" régime. But this spirit of renunciation was short-lived. While Russia did agree to surrender her former treaty rights in the treaty of May 31, 1924, she insisted on retaining a large degree of control over the Chinese Eastern Railway, which traverses northern Manchuria. Under the old régime, the road was governed by a Board of Directors of nine Russians and Chinese. But the 1924 treaty provided that the road should have a Russian manager and a Board of Directors, half Russian and half Chinese. As a result of this agreement Russia's control over this important railway was partially restored. As late as August, 1927, there were 15,000 Russians and 6,000 Chinese employed on the staff of the "C. E. R."‡

Likewise, Russia attempted to extend her influence in Outer Mongolia—a territory ly-

*C. W. Young, "Chinese Labor Migration to Manchuria," *Chinese Economic Journal*, July, 1927.

‡*Manchuria Daily News*, August 3, 1927.

ing west of Manchuria and bordering on the Siberian frontier, over which the Chinese have claimed sovereignty for 200 years. In 1921, Soviet troops occupied Urga, a leading city in Outer Mongolia, and organized a Mongolian government in virtual independence of China proper. In the same year Russia and Mongolia signed a secret treaty which is supposed to have recognized Mongolia's independence. In the 1924 treaty, surrendering her special rights in China, Russia recognized that Outer Mongolia "was an integral part of China." Despite this promise the Outer Mongolia government is organized on Soviet lines and is supported by Soviet subsidies. The China Year Book, 1926, states that Outer Mongolia is in fact no more than one of the autonomous provinces of the Soviet domain.

RUSSIA ENCOUNTERS CHANG TSO-LIN

In her efforts to extend her influence in Manchuria, Soviet Russia soon found a worthy opponent in the person of Chang Tso-lin, the war lord who has ruled Manchuria since 1918 and who today dominates the Peking government. Chang steadfastly refused to acknowledge the settlement of Manchurian questions reached by the Peking and Moscow governments in the treaty of May, 1924, and forced Russia to negotiate a separate agreement at Mukden in September. Apparently Russia is the only government which has signed a separate treaty with the Manchurian war lord. Despite this agreement, Chang has come into frequent conflict with the Russians. He has hampered their control of the Chinese Eastern Railway and Chinese officials have taken over the administration of the City of Harbin, formerly governed by Russian authorities. It is alleged that the Russians helped to finance the Kuo Sung-lin revolt against Chang in 1925. Their attitude toward Chang was illustrated during this revolt by the refusal of the Chinese Eastern Railway to transport reinforcements without receiving cash payment in advance. After overcoming this obstacle by moving the troops over a newly constructed "feeder" line to the South Manchuria Railway, Chang retaliated by ordering the arrest of the Russian man-

ager of the "C. E. R.". Following an ultimatum from the Russian Government, the manager was released. The Russians were also accused of backing Feng Yu-hsiang, the "Christian" general, in the hope that he would overthrow Chang Tso-lin. In this struggle over the Chinese Eastern Railway, Chang, it is agreed by most observers, is proving to be the winner. Department after department of the railway's activities has been taken away from Russia and placed under Chinese control, and even important Russian officials, it is understood, have come under Chang's influence. In August, 1927, the Chinese Eastern Railway, which had hitherto deposited its receipts with the Dalbank at Harbin, agreed to deposit half of these receipts, which for 1926 amounted to \$8,000,000, with the Chinese bank. The Chinese have also appropriated for their own use the fleet of river boats on the Sungari which belonged to the railway. Chang's attitude toward the Russians generally is demonstrated by his periodic execution of Communists and by his raid of the Soviet Embassy in Peking in April, 1927.

RAILWAY RIVALRY BETWEEN RUSSIA AND JAPAN

Rivalry has also existed between the Russians and the Japanese, particularly in regard to the Chinese Eastern and the South Manchuria railways. Both lines had been built by the Russo-Asiatic Bank as a part of a single transport system, and both lines were broad gauge. Following the cession of the South Manchuria line to Japan, the Japanese tore up the broad gauge track and laid a standard gauge. The object in this change was strategic; it was to prevent the South Manchuria Railway from being of military use to Russia in time of war against Japan. But the effect of this change was also to do away with the possibility of running through trains over both lines from inland points in Siberia to Dairen and Port Arthur. Despite this difference in gauge, many shippers have found it profitable to ship their goods from Harbin to Changchun and then trans-ship them to South Manchuria Railway points. In fact, 60 per cent of the traffic of the latter railway comes from

alien lines; and 40 per cent of this amount comes from the Chinese Eastern Railway.

When the Russians regained control of the Chinese Eastern Railway in 1924, a traffic war ensued between the two companies. But so disastrous did it prove to the mutual interests of each, that a rate agreement was made to the effect that 55 per cent of the eastbound traffic of the Trans-Siberian Railway should be diverted to Harbin toward the South Manchuria lines, while the remaining 45 per cent should continue over the Chinese Eastern Railway to Vladivostok.

Despite this agreement considerable feeling has been kindled between Russia and Japan by the construction of two branch lines in Manchuria which may vitally affect the Chinese Eastern from the economic and strategic standpoint. The first of these branches connects the city of Taonan with Tsitsihar, a town lying eighteen miles north of the Chinese Eastern Railway. Nominally the Taonan line is Chinese, but it has been constructed by the South Manchuria company at a cost of 12,000,000 yen. For a time the progress of the road was blocked by the protest of the Soviet Government that it invaded Northern Manchuria, a sphere in which it claimed Russia had a preferential position. In reply, Japan stated that Russia had surrendered all special privileges in China and that Japan was entitled to build the road under the Open Door principle. The Tsitsihar extension is of strategic importance inasmuch as it may enable the Japanese to cut off Russian access to the sea in time of war. It also drains the valuable produce center of Anta.

In October, 1925, the South Manchuria Railway signed an agreement with the Chinese Government providing for the construction of a second extension, from Kirin to Tonghua, a distance of 60 miles. The Japanese Government apparently favors the extension of this line to Kainei, a town near the Korean border. Kainei is already linked by rail to the Korean seaport of Seishin. When this Kirin-Kainei link is completed, the Japanese will have established complete rail communication from Harbin to the sea, which will be two days shorter to Japan than by way of Dairen. It is understood,

however, that the South Manchuria Railway is opposed to the completion of the road to Kainei on the ground that it will divert traffic from Dairen.

JAPANESE RELATIONS WITH CHANG TSO-LIN

In so far as Chang Tso-lin has maintained order throughout Manchuria and has opposed the Russian advance, he has won the sympathy of Japan. But when he has been unable to maintain order in areas where Japanese interests are important, the Japanese Government has not hesitated to intervene. In December, 1925, General Kuo Sunglin staged a revolt in which he almost routed Chang who was obliged to retire within the walled city of Mukden. After some discussion during which the Military Staff urged action, the Japanese cabinet suddenly decided to rush troops from Korea to the Manchurian garrison, then depleted to half its normal strength of 8,000 men. The Government also announced on December 16, 1925, that it would not permit any fighting within a neutral zone extending six miles on each side of the railway. Morally strengthened by the increase of Japanese troops and the establishment of this neutral area, General Chang rallied his forces and defeated Kuo, who when captured was decapitated. Following this defeat, the Japanese Foreign Office issued a statement that "there is every reason to believe that conditions will soon be normal" and that there is "no further necessity for Japan's holding a six-mile zone of neutrality along the South Manchuria Railway, since there is no longer any opposition to Chang's authority and power to be expected."

Sometime after his victory over Kuo, Chang is reported to have publicly thanked the Japanese for their assistance. A Japanese writer, Dr. Washio, also wrote: "Whenever Japan sends troops to China they operate, deliberately or not, in favor of Chang Tso-lin, and Chinese civil war being more of a political campaign than a military engagement, the prestige of Japanese troops exerts an influence out of proportion to the number of troops that are actually sent. . . . At the time of Kuo Sunglin's revolt the presence of a couple of

thousand of Japanese soldiers made it possible, accidentally or not, to save the day for Chang Tso-lin. . . The idea that Manchuria has been solidly under Chang's domination is a fiction. Without the prestige of the Japanese cooperation he would have been ousted long ago by internal rivals."*

On the other hand, Baron Shidehara, then Japanese Foreign Minister, denied the statement that the Japanese had favored Chang. In an address to the Diet in January, 1926, he stated that: "We deplore these unfounded, undeserved accusations, and in denying them categorically, we are confident that history will be the final judge of our clear conscience . . . It is a well known fact that Japan possesses essential rights and interests, both corporeal and incorporeal, in the region of Manchuria and Mongolia. Of such rights and interests, those that have taken a tangible shape, and are liable to destruction by acts of war, are now mainly to be found along the line of the South Manchuria Railway. In order to protect them from destruction we have been constrained to make necessary provision, which, we believe, has duly accomplished its end. With regard to our rights and interests of an immaterial kind, they did not seem likely to be affected by the war, and we are satisfied that they have in fact remained entirely unaffected."

"No doubt, the complete tranquillity of the whole region of the Three Provinces, undisturbed by any scourge of war, is highly to be desired, in the interest of the native population as well as Japanese residents. It is, however, a responsibility that properly rests upon China. Assumption of that responsibility by Japan without just cause would be manifestly inconsistent with the fundamental conception of existing international relations, with the basic principles of the Washington treaties, and with repeated declarations of the Japanese Government."†

This cautious statement did not, however, appeal to the Japanese residents in

Manchuria, dissatisfied with the existing economic conditions. The average annual rate of increase in the number of Japanese in Manchuria for the last three years has been only 3.2 per cent; and out of 125 Japanese firms publishing accounts for the first half of 1927, 53 showed a loss, while only 37 declared a dividend.†

JAPANESE COMPLAINTS AGAINST MILITARY RULE

Merchants complained that, despite some increase in trade, profits were checked by the dead-weight of Chang's military expenditure and by his progressive inflation of the local currency—the *fengpiao*. These conditions unsettled trade while Chang's requisitions further reduced the purchasing power of the population. Many Japanese firms have not, moreover, recovered from the financial slump experienced in 1920. Their latest grievance has arisen out of the imposition of new taxes by Chang. The first of these taxes, called the *shusho zei*, was levied on Japanese traders in the Railway Zone in which Japanese jurisdiction prevails. This was a tax on goods upon which the Japanese had already paid a duty at the port of entry. Hitherto the Chinese had issued certificates for such goods, exempting them from further payment at "Open Ports" inland. The Japanese claim that this is really a *likin* tax. While the Japanese have recently succeeded in getting some goods into Mukden without paying this tax, the Chinese through fear of punishment decline to buy any goods not having a stamp tax. Following the example of the Nanking government, Chang has also started to collect the taxes envisaged by the Washington Conference treaty, which were not to go into effect until after an agreement of the powers, which the Customs Conference in China failed to consummate.

In June, 1927, the Dairen Chamber of Commerce petitioned the Tokyo government to establish a colonial department, stating that "Japan's colonial administration is at low ebb," and that the policies of Japan in Manchuria were "wanting in thoroughness

*"The Far Eastern Conference," *Trans-Pacific*, July 9, 1927, p. 5.

†*Trans-Pacific*, January 30, 1926, p. 15.

†*Manchuria Daily News*, July 25, 1927.

and effectiveness." A mass meeting of Japanese merchants in Mukden also protested against the "practical bankruptcy of the Mukden government" (under Chang Tso-lin), which had "bled the Chinese white and paralyzed Sino-Japanese trade."

RESULTS OF ORIENTAL CONFERENCE, JUNE, 1927

The Oriental Conference, convened by Baron Tanaka, in June-July, 1927, carefully considered these complaints. In the absence of Baron Tanaka at the session of July 1, Mr. Mori, Parliamentary Under-Secretary for Foreign Affairs, stated, according to the *Osaka Asahi*, "In a sense Japan's economic development in that territory [Manchuria] is now at a standstill and the main cause of this deplorable state of things may be sought in the lack of a fixed Manchuria and Mongolia policy. Inasmuch as an unsettled political situation in Manchuria has been responsible in some measure for Japan's failure to pursue a settled policy unflinchingly in the past, it is desirable that efforts should be made to secure political stability in Manchuria. In other words Manchuria must be made secure from the political unrest which is almost chronic in China. . . ." At the end of the Conference, as already stated, Baron Tanaka declared that henceforth the Japanese Government would follow a policy in Manchuria and Mongolia distinct from that in China proper and that it would not permit revolution or disorder in the former territory to disturb Japan's interests.

Evidence of this "positive policy" was soon given in the removal of the president of the South Manchuria Railway and the appointment of Mr. Yamamoto, secretary-general of the Seiyukai party, who had been, according to the *Osaka Asahi*, a confirmed advocate of the "positive policy." Mr. Yamamoto is reported to have expressed dissatisfaction with the inclination of the Company "to attach more more importance to business profits than the Company's innate mission."* After referring to Japanese sacrifices in Manchuria, he is also quoted as saying,—"The Railway Company has a more important mission than a merely economic one."

*The Manchuria Daily News, July 20, 1927.

Following these statements it was reported that the government would confer certain police and taxing powers upon the South Manchuria Railway within the Railway Zone and that it would increase the powers of the president of the railway.

In order to attract Japanese enterprises to Manchuria and to stabilize currency, the government is considering the establishment of a Central Bank, which would presumably be a joint Sino-Japanese affair. It is also considering the establishment of a Mongolia Development Company.

JAPANESE DEMANDS WITH RESPECT TO MANCHURIA

After the conclusion of the Oriental Conference, the Japanese Government decided upon four demands which Mr. Yoshida, Consul-general at Mukden, conveyed to the Civil Governor of Fengtien province upon his return and which the Japanese Minister conveyed to the Government at Peking. These covered the following points:

(1) That the Chinese Government should grant land leases to Japanese as provided in the treaty of 1915.

(2) That construction of the two Chinese railway lines, parallel to the South Manchuria line (Japanese) should be abandoned and that China should not construct any parallel line in the future.

(3) That the Chinese authorities should quickly agree to the extension of the Kirin-Hoinyung line.

(4) That Japan should be permitted to open a new consulate immediately at Linkiang, a town near the Korean border where many Korean malcontents reside.

One of the two Chinese railways mentioned in (2) above extends from Takushan on the Peking-Mukden railway to Payintala, paralleling the main South Manchurian route. Another line, a hundred miles of which is already constructed, parallels the South Manchuria between Kirin and Hailungcheng. Invoking the alleged secret protocol of 1905, the Japanese Government has repeatedly protested to the Chinese Government that the construction of these roads is illegal. But the Chinese Government has

nevertheless proceeded with the construction, which is being carried on by Chinese funds and Chinese engineers. Whether or not these roads will be administered with enough efficiency to compete with the South Manchuria Railway remains to be seen. The Chinese motive in constructing these lines seems to be partly economic and partly political. Doubtless they believe that the establishment of roads, entirely free from Japanese control, would strengthen Chinese authority over Manchuria. By means of these roads, which will link the provincial capitals of Mukden, Kirin and Tsitsihar, Chang Tso-lin will be able to transport troops without regard to the wishes of the Russians or Japanese.

Railway building, it appears, has also proved profitable to the Chinese generals. It is stated that the officials buy up in advance the land which the railway will traverse, and then lay the road bed a mile or two from the edge of the towns which it is designed to serve. When the railway is constructed the intervening land, now held by officials, greatly increases in value.

ANTI-JAPANESE AGITATION

When news of the Oriental Conference and of the rumored measures which the Japanese cabinet had decided to take in Manchuria reached China, feeling was aroused. Resenting the protests against the imposition of taxes and the construction of the branch railways, Chinese mobs in Mukden staged anti-Japanese demonstrations in August and September, 1927. The General Guild of Mukden, an association of local Chinese merchants somewhat similar to our Chambers of Commerce, served notice on all Chinese houses to buy no Japanese goods.

Some Japanese insisted that the riots and other demonstrations were instigated by Chinese authorities, that Chinese officials took part in the anti-Japanese demonstration meetings, and that Chinese policemen went from door to door telling the people to display anti-Japanese banners and to march in anti-Japanese processions. It seems that the situation in Mukden is still serious and that anti-Japanese feeling among the people who

have been affected by the nationalist doctrines from the south is growing.

It is understood that Chang is irritated because the Japanese Government, in compliance with an international understanding of 1919, has placed an embargo on the export of arms.

Rumors have been frequent during the past few months that the Japanese Government, out of patience with Chang Tso-lin's duplicity, is attempting to bring about an understanding with the Nationalists in the south. Dr. C. C. Wu, the Foreign Minister of the Nanking government, expressing sympathy with Japan's position, recently declared that "the immediate return of the South Manchuria Railway and the Kwantung concession is impossible in reality and these questions must find their solution in the fixing of a definite time for Japan to return them." He added, "We understand Japan's situation: that she is in great need of raw materials and an outlet for her population, and in this connection we intend to conform to Japan's proposals." In some quarters this statement has been interpreted to mean that Nanking would bow to Japan's aspirations in Manchuria in return for Japanese aid in establishing Nationalist control throughout the whole of China proper.

SINO-JAPANESE ACCORD NOT IN SIGHT

So far there have been no indications of an agreement between any Chinese faction and Japan in regard to Manchuria. Japanese opinion seems to be unanimous that Japan shall not surrender her railway and leasehold interests and the Tanaka government seems pledged to a "positive policy" which will increase Japanese control. Commenting on the Tanaka policy, the *Osaka Asahi* says, "As the general outlines of the new Manchuria and Mongolia policy clearly show, the present Cabinet is more positive about Japan's special position in Manchuria and Mongolia than any other Ministry in the past. It is doubtful whether the Okuma Cabinet had so confirmed a view about Japan's position when it formulated the famous Twenty-One Demands of 1915." Whether or not the Tanaka government intends to go further than to insist on the rights granted

in the agreements of May, 1915, (the validity of which the Chinese refuse to recognize) remains to be seen. Nevertheless the mere announcement of the "positive policy" already seems to have stimulated anti-Japanese feeling throughout Manchuria. Hitherto the Japanese have taken the position that in view of the lower standard of living of the Chinese and the unwillingness of the Japanese to live in Manchuria, on account of its climate, the territory can be developed only by Chinese, working in cooperation with the Japanese. The Japanese Government must decide whether or not this principle,

the application of which depends upon Chinese goodwill, can be reconciled with the "positive policy." It must decide whether, especially in view of the critical financial and economic situation of Japan which has resulted from the recent earthquake and financial crisis, it will be able to impose a "positive policy" upon Manchuria, which is a portion of China, a country in which nationalist sentiment has recently become strong. While no one may predict the future, it seems that the question whether Manchuria will become independent of China will be a critical one during the next ten years.

STATEMENT OF PREMIER TANAKA AT THE ORIENTAL CONFERENCE, JULY 7, 1927

The maintenance of peace in the Far East and the realization of the common prosperity of Japan and China form the basic principle of Japanese policy towards China. The methods of carrying out the principle, however, may vary in its application to China proper and to Manchuria and Mongolia, in view of our special position in the Far East. The general outline of our policy towards China, which is based on this fundamental principle, may be summed up as follows:

1. Although the stabilization of the political situation and the restoration of peace and order in China constitute the crying need of the times, yet the best way to realize them is to let the Chinese people themselves undertake it. Therefore, in the present internal political conflict in that country, we should not take the side of any party or clique and should respect the popular will and strictly avoid such steps as might interfere with the contending forces.

2. We are heartily in sympathy with the legitimate national aspirations that emanate from the moderate elements in China, and we should always be ready to cooperate with them for their rational and gradual attainment through cooperation with the Powers as far as possible.

At the same time, the peaceful economic development of China is a matter ardently desired equally by the Chinese and the foreign peoples and its accomplishment demands the friendly cooperation of the Powers as well as the endeavors of the Chinese people themselves.

3. The aforementioned objects can be accomplished only when a stable central government is established, but, when we view the present political situation in China, we find that the establishment of such a government is no easy matter. In the existing circumstances, therefore, we have no alternative but to keep ourselves properly in touch with moderate political factors in various places for the

time being and to await the development of events for the gradual unification of the country.

4. If, with the transition of the political situation, the governments of the North and South are combined or a federation of local political groups is formed, it is a matter of course that the attitude of the Japanese Government towards such different political factors will be entirely unchanged. If, under such conditions, a tendency arises toward the establishment of a unified government to deal with the foreign relations of China, we shall welcome it, as also will the Powers and stand ready to assist in the growth of such a government.

5. It is irrefutable that the radical and destructive elements, taking advantage of the political unrest in China, may become rampant and disturb the public peace, thereby causing unfortunate international embroglios. The Japanese Government expects that the suppression of obnoxious elements and the maintenance of peace and order will be effected through the control of the Chinese authorities and the efforts of the Chinese people themselves; but, in the case of infringement of our legitimate rights and interests and the lives and property of our nationals, there will be no alternative for us but resolutely to take self-defensive measures and protect them, if necessary. Particularly, it is necessary to dispel the misapprehensions and misunderstandings of those who, on the strength of unfounded rumors concerning Sino-Japanese relations, blindly start a movement to boycott Japanese goods and, to take appropriate measures for safeguarding our rights.

6. Since Manchuria and Mongolia, particularly The Three Eastern Provinces, have an important bearing upon the national defence and existence of this country, we must devote especial attention to those regions. We feel, moreover, particular responsibility as a neighbor for making them suitable for the residence of both Japanese and foreigners

by the preservation of peace and their economic development.

The stimulus of the economic activities of Japanese and foreigners alike in both the southern and northern parts of Manchuria and Mongolia, based upon the principles of the Open Door and equal opportunity, we hold to be instrumental in accelerating the peaceful development of those regions and we should act in accordance with this principle in safeguarding our already acquired rights and interests and in solving pending questions.

7. I believe that it will be best to leave stabilization of the political situation in the Three Eastern

Provinces in their own hands. Any plan which will respect our special position in Manchuria and Mongolia and devise measures for stabilizing the political situation there will receive the due assistance of the Japanese Government.

8. If the disturbances spread to Manchuria and Mongolia, and as a result, peace and order are disrupted, thereby menacing our special position and rights and interests in those regions, we must be determined to defend them, no matter whence the menace comes, and take proper steps without loss of time in order to preserve the regions as lands for peaceful habitation and development equally to Japanese and foreigners.

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